

# ORANGE COUNTY ECONOMIC FORECAST

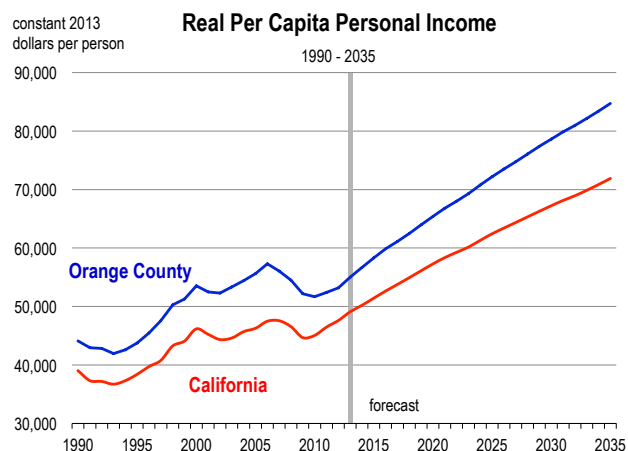
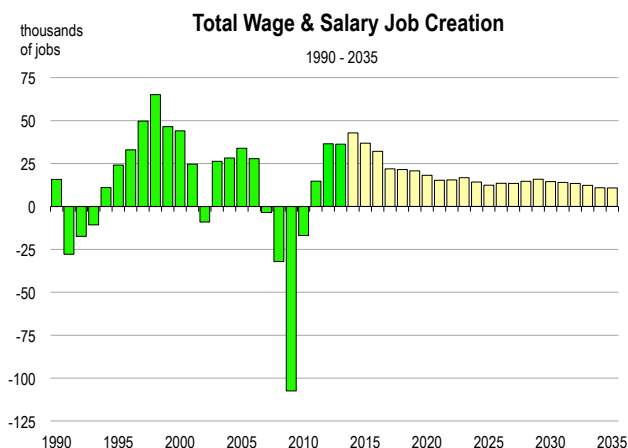
Orange County has a population of 3.1 million people. It is the third largest county in California, behind neighboring Los Angeles and San Diego counties, which have populations of 10.0 million and 3.2 million, respectively. There are almost 1.5 million wage and salary jobs located in Orange County. The per capita income is \$55,031, and the average salary per worker is \$67,175.

Across Southern California, employment increased by 2.7 percent in 2013. In Orange County, 36,300 jobs were gained, representing a growth rate of 2.6 percent. At the same time, the unemployment rate in Orange County improved from 7.6 percent in 2012 to 6.1 percent in 2013.

The nationwide downturn in residential real estate had a disproportionately large impact on Orange County. Growth during the previous decade had been driven in large part by the expansion of mortgage loan companies headquartered in Orange County. From 2007-2010, a number of these companies declared bankruptcy and shut down as loan volumes declined and loan defaults soared. As a result of this process, job losses in financial services were unprecedented in the late 2000s. However, in 2011 this industry appeared to hit bottom. In 2012 it expanded by 3.5 percent and in 2013 it grew by 4.3 percent.

During 2013, the largest employment gains were observed in education and healthcare (+8,100 jobs), leisure and hospitality (+7,200 jobs), and construction (+6,000 jobs). Public sector employment expanded for the first time since 2008 (+400 jobs). The only sectors with losses were manufacturing (-400 jobs) and transportation and utilities (-200 jobs).

Between 2008 and 2013, the Orange County population grew at an annual average rate of 0.8 percent. This growth was largely due to the natural increase (new births), as net migration was low.



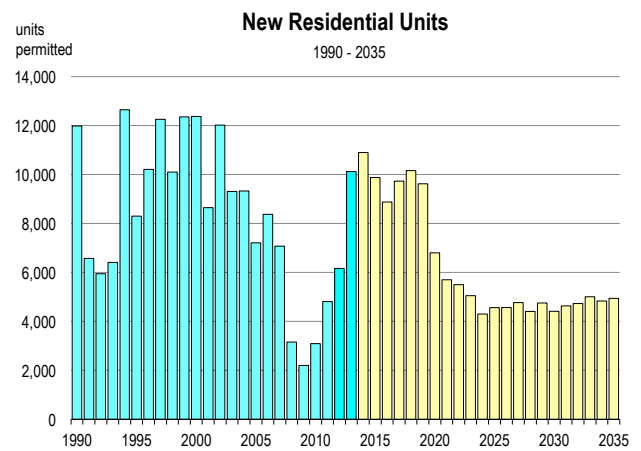
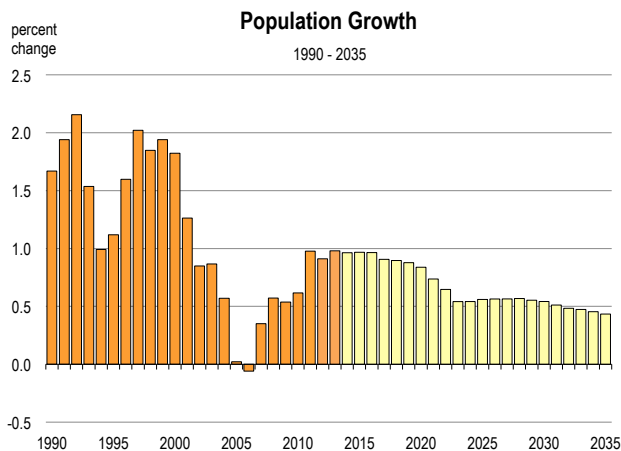
## FORECAST HIGHLIGHTS

- The labor market will strengthen in 2014, as total employment increases by 2.9 percent. Between 2014 and 2019, employment growth is expected to average 1.7 percent per year.
- Average salaries are slightly below the California State average. Over the 2014-2019 period, average salaries in Orange County will increase by 1.3 percent per year.
- The professional services sector will remain the growth engine of the Orange County labor market, increasing by 35,500 jobs between 2014 and 2019. Other industries with strong growth will be leisure and hospitality (+18,300 jobs), health and education (+17,100 jobs), retail and wholesale trade (+15,300 jobs), and construction (14,000 jobs).
- Population growth will decelerate slightly, averaging 0.9 percent over the next five years. Net migration will be moderate, averaging 9,400 individuals each year.
- Personal income per capita, adjusted for inflation, is expected to increase by 3.0 percent in 2014. Over the 2014-2019 period, income per capita will rise by an average of 2.4 percent per year.
- Total taxable sales, adjusted for inflation, will increase by 2.6 percent per year between 2014 and 2019.
- Industrial production will rise by 3.4 percent in 2014, and will grow at an average annual rate of 3.8 percent per year between 2014 and 2019.

# Orange County Economic Forecast

## 2006-2013 History, 2014-2040 Forecast

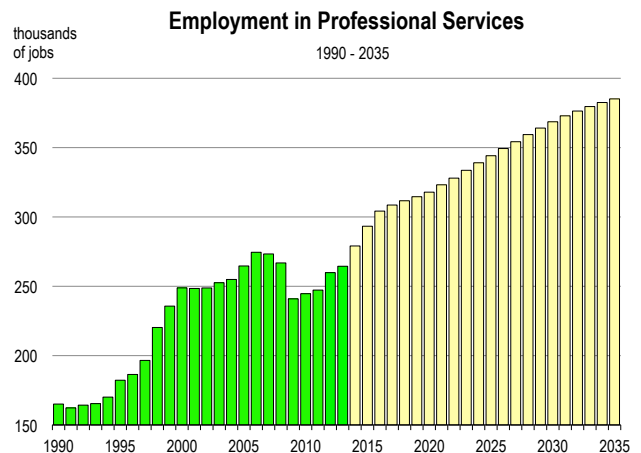
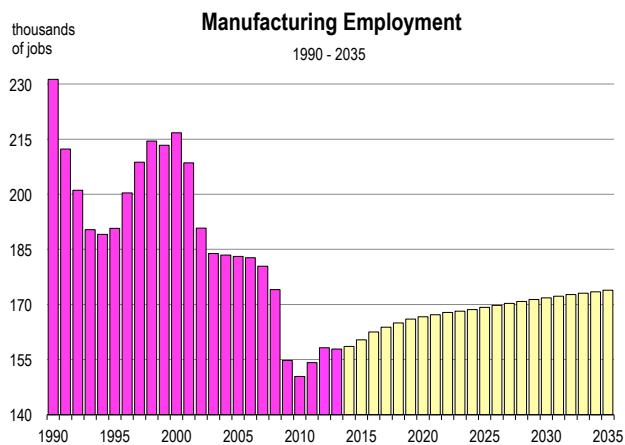
|      | Population<br>(people) | Net<br>Migration<br>(people) | Registered<br>Vehicles<br>(millions) | Households<br>(thousands) | New Homes<br>Permitted<br>(homes) | Total Taxable<br>Sales<br>(billions) | Personal<br>Income<br>(billions) | Real Per<br>Capita Income<br>(dollars) | Inflation Rate<br>(% change<br>in CPI) | Real Farm<br>Crop Value<br>(millions) | Real Industrial<br>Production<br>(billions) | Unemploy-<br>ment Rate<br>(percent) |
|------|------------------------|------------------------------|--------------------------------------|---------------------------|-----------------------------------|--------------------------------------|----------------------------------|--|--|---------------------------------------|---|-------------------------------------|
| 2006 | 2,955,433              | -28,732                      | 2.55                                 | 977.3                     | 8,371                             | \$57.2                               | \$148.9                          | \$57,297                               | 4.3                                    | 327.4                                 | 31.4  | 3.4                                 |
| 2007 | 2,965,823              | -16,529                      | 2.54                                 | 981.8                     | 7,072                             | \$57.3                               | \$151.0                          | \$56,053                               | 3.3                                    | 281.1                                 | 31.9  | 3.9                                 |
| 2008 | 2,982,788              | -9,866                       | 2.53                                 | 986.1                     | 3,159                             | \$53.6                               | \$152.9                          | \$54,518                               | 3.5                                    | 242.5                                 | 32.5  | 5.3                                 |
| 2009 | 2,998,816              | -8,430                       | 2.51                                 | 989.1                     | 2,200                             | \$45.7                               | \$145.9                          | \$52,168                               | -0.8                                   | 206.0                                 | 30.2  | 8.9                                 |
| 2010 | 3,017,299              | -4,134                       | 2.52                                 | 990.1                     | 3,091                             | \$47.7                               | \$147.2                          | \$51,689                               | 1.2                                    | 159.3                                 | 28.7  | 9.5                                 |
| 2011 | 3,046,783              | 8,886                        | 2.52                                 | 993.9                     | 4,807                             | \$51.7                               | \$154.8                          | \$52,423                               | 2.7                                    | 150.6                                 | 29.3  | 8.8                                 |
| 2012 | 3,074,546              | 7,297                        | 2.54                                 | 995.9                     | 6,163                             | \$55.2                               | \$161.7                          | \$53,208                               | 2.0                                    | 137.9                                 | 31.9  | 7.6                                 |
| 2013 | 3,104,680              | 9,624                        | 2.58                                 | 999.6                     | 10,120                            | \$58.3                               | \$170.9                          | \$55,031                               | 1.1                                    | 130.9                                 | 32.6  | 6.1                                 |
| 2014 | 3,134,594              | 10,156                       | 2.60                                 | 1,008.6                   | 10,895                            | \$61.9                               | \$180.7                          | \$56,697                               | 1.7                                    | 125.3                                 | 33.7  | 5.4                                 |
| 2015 | 3,164,920              | 10,774                       | 2.63                                 | 1,018.5                   | 9,874                             | \$65.2                               | \$191.7                          | \$58,311                               | 2.2                                    | 119.0                                 | 35.1  | 4.7                                 |
| 2016 | 3,195,455              | 10,503                       | 2.66                                 | 1,027.5                   | 8,874                             | \$68.9                               | \$202.9                          | \$59,857                               | 2.1                                    | 113.7                                 | 36.4  | 4.1                                 |
| 2017 | 3,224,420              | 8,778                        | 2.69                                 | 1,035.6                   | 9,728                             | \$71.2                               | \$211.7                          | \$61,151                               | 1.2                                    | 107.5                                 | 37.7  | 4.0                                 |
| 2018 | 3,253,322              | 8,631                        | 2.72                                 | 1,044.4                   | 10,157                            | \$73.6                               | \$221.0                          | \$62,519                               | 1.2                                    | 101.5                                 | 39.1  | 3.9                                 |
| 2019 | 3,281,876              | 8,298                        | 2.75                                 | 1,053.6                   | 9,619                             | \$76.0                               | \$231.0                          | \$63,976                               | 1.3                                    | 95.6                                  | 40.6  | 3.8                                 |
| 2020 | 3,309,386              | 7,334                        | 2.78                                 | 1,062.4                   | 6,800                             | \$78.3                               | \$241.1                          | \$65,418                               | 1.2                                    | 88.8                                  | 42.0  | 3.8                                 |
| 2021 | 3,333,765              | 4,247                        | 2.80                                 | 1,068.6                   | 5,700                             | \$80.5                               | \$251.4                          | \$66,820                               | 1.4                                    | 82.2                                  | 43.4  | 3.9                                 |
| 2022 | 3,355,324              | 1,583                        | 2.82                                 | 1,073.8                   | 5,500                             | \$82.7                               | \$261.4                          | \$68,023                               | 1.5                                    | 76.1                                  | 44.8  | 3.8                                 |
| 2023 | 3,373,493              | -1,397                       | 2.84                                 | 1,078.8                   | 5,050                             | \$85.0                               | \$271.4                          | \$69,291                               | 1.4                                    | 70.0                                  | 46.4  | 3.8                                 |
| 2024 | 3,391,777              | -1,353                       | 2.86                                 | 1,083.4                   | 4,300                             | \$87.4                               | \$282.6                          | \$70,789                               | 1.4                                    | 63.5                                  | 47.8  | 3.8                                 |
| 2025 | 3,410,774              | -455                         | 2.88                                 | 1,087.3                   | 4,562                             | \$89.9                               | \$293.9                          | \$72,206                               | 1.4                                    | 57.4                                  | 49.4  | 3.9                                 |
| 2026 | 3,430,015              | 147                          | 2.90                                 | 1,091.4                   | 4,565                             | \$92.5                               | \$305.0                          | \$73,512                               | 1.4                                    | 51.4                                  | 51.0  | 3.8                                 |
| 2027 | 3,449,384              | 831                          | 2.91                                 | 1,095.6                   | 4,767                             | \$95.2                               | \$316.3                          | \$74,775                               | 1.4                                    | 45.3                                  | 52.8  | 3.8                                 |
| 2028 | 3,468,979              | 1,629                        | 2.93                                 | 1,099.9                   | 4,407                             | \$98.3                               | \$328.1                          | \$76,074                               | 1.4                                    | 39.1                                  | 54.7  | 3.8                                 |
| 2029 | 3,488,178              | 1,932                        | 2.95                                 | 1,103.9                   | 4,750                             | \$101.4                              | \$340.2                          | \$77,382                               | 1.4                                    | 33.0                                  | 56.7  | 3.8                                 |
| 2030 | 3,507,096              | 2,207                        | 2.96                                 | 1,108.2                   | 4,412                             | \$104.7                              | \$352.4                          | \$78,637                               | 1.4                                    | 26.9                                  | 58.8  | 3.8                                 |
| 2031 | 3,525,045              | 1,812                        | 2.98                                 | 1,112.2                   | 4,633                             | \$108.4                              | \$364.7                          | \$79,862                               | 1.4                                    | 21.9                                  | 60.9  | 3.8                                 |
| 2032 | 3,542,099              | 1,447                        | 3.00                                 | 1,116.5                   | 4,729                             | \$112.3                              | \$376.7                          | \$80,972                               | 1.4                                    | 17.9                                  | 63.1  | 3.8                                 |
| 2033 | 3,558,880              | 1,789                        | 3.01                                 | 1,120.8                   | 5,005                             | \$116.2                              | \$389.4                          | \$82,183                               | 1.4                                    | 14.6                                  | 65.4  | 3.8                                 |
| 2034 | 3,575,051              | 2,150                        | 3.03                                 | 1,125.3                   | 4,833                             | \$120.1                              | \$402.6                          | \$83,424                               | 1.4                                    | 11.9                                  | 67.7  | 3.8                                 |
| 2035 | 3,590,566              | 2,319                        | 3.04                                 | 1,129.7                   | 4,940                             | \$124.1                              | \$416.3                          | \$84,724                               | 1.4                                    | 9.7                                   | 70.2  | 3.8                                 |
| 2036 | 3,605,522              | 2,487                        | 3.05                                 | 1,134.2                   | 4,669                             | \$128.0                              | \$430.3                          | \$86,021                               | 1.4                                    | 7.9                                   | 72.7  | 3.8                                 |
| 2037 | 3,619,430              | 1,940                        | 3.06                                 | 1,138.5                   | 4,840                             | \$131.9                              | \$444.9                          | \$87,390                               | 1.4                                    | 6.4                                   | 75.3  | 3.8                                 |
| 2038 | 3,633,259              | 2,544                        | 3.08                                 | 1,142.9                   | 4,689                             | \$135.8                              | \$460.1                          | \$88,809                               | 1.4                                    | 5.3                                   | 78.0  | 3.8                                 |
| 2039 | 3,647,080              | 3,115                        | 3.09                                 | 1,147.1                   | 4,567                             | \$139.7                              | \$475.8                          | \$90,242                               | 1.4                                    | 4.3                                   | 80.9  | 3.8                                 |
| 2040 | 3,660,509              | 3,020                        | 3.10                                 | 1,151.3                   | 4,435                             | \$143.6                              | \$491.6                          | \$91,641                               | 1.4                                    | 3.5                                   | 83.3  | 3.8                                 |

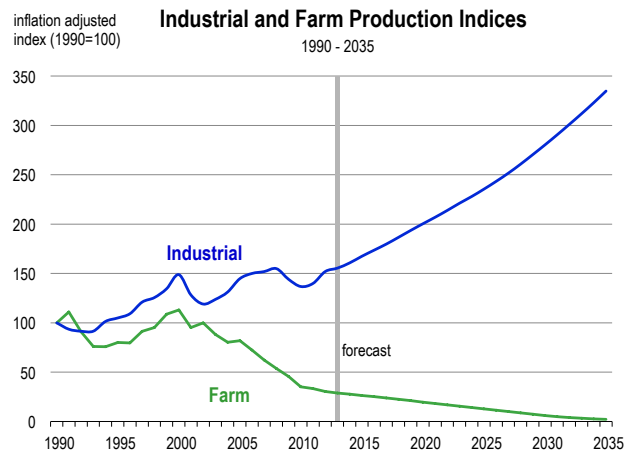
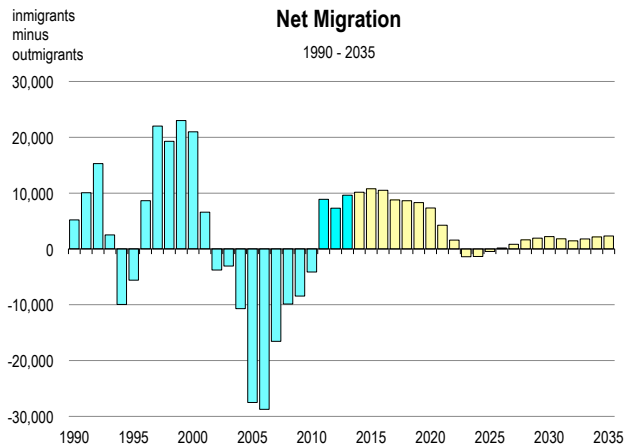
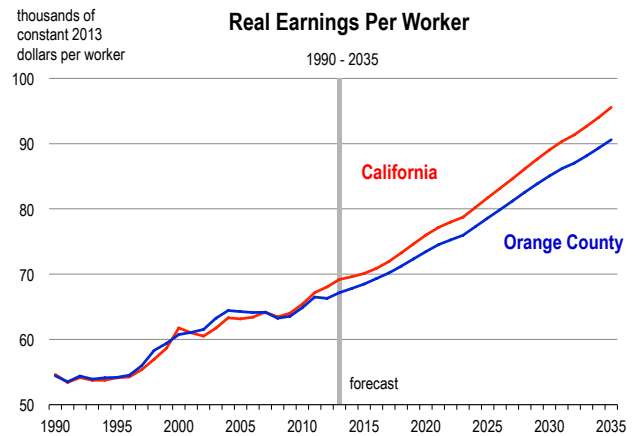
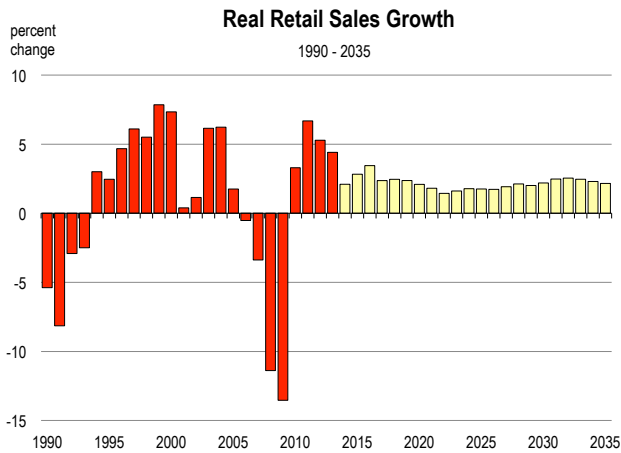


# Orange County Employment Forecast

## 2006-2013 History, 2014-2040 Forecast

|      | Total Wage<br>& Salary         | Farm | Construction | Manufac-<br>turing | Transportation<br>& Utilities | Wholesale &<br>Retail Trade | Financial<br>Activities | Professional<br>Services | Information | Health &<br>Education | Leisure | Government |
|------|--------------------------------|------|--------------|--------------------|-------------------------------|-----------------------------|-------------------------|--------------------------|-------------|-----------------------|---------|------------|
|      | employment (thousands of jobs) |      |              |                    |                               |                             |                         |                          |             |                       |         |            |
| 2006 | 1,529.6                        | 5.33 | 106.6        | 182.7              | 28.2                          | 244.5                       | 138.2                   | 274.5                    | 31.9        | 143.1                 | 169.6   | 156.7      |
| 2007 | 1,526.1                        | 5.01 | 103.1        | 180.4              | 28.9                          | 248.1                       | 127.7                   | 273.3                    | 31.2        | 148.1                 | 172.9   | 159.4      |
| 2008 | 1,494.0                        | 4.64 | 91.2         | 174.1              | 29.3                          | 242.5                       | 113.1                   | 266.9                    | 30.1        | 157.9                 | 176.4   | 160.8      |
| 2009 | 1,386.5                        | 3.79 | 74.2         | 154.8              | 27.8                          | 222.4                       | 105.1                   | 240.9                    | 27.3        | 161.3                 | 169.1   | 156.6      |
| 2010 | 1,369.7                        | 3.73 | 68.0         | 150.4              | 26.7                          | 218.9                       | 103.5                   | 244.7                    | 24.8        | 165.5                 | 168.6   | 152.3      |
| 2011 | 1,384.4                        | 3.22 | 69.2         | 154.2              | 27.5                          | 219.5                       | 104.7                   | 247.3                    | 23.8        | 168.0                 | 174.0   | 149.3      |
| 2012 | 1,420.9                        | 2.80 | 71.4         | 158.2              | 28.0                          | 220.8                       | 108.2                   | 259.9                    | 24.3        | 173.8                 | 180.6   | 147.9      |
| 2013 | 1,457.2                        | 2.95 | 77.3         | 157.9              | 27.9                          | 224.9                       | 112.5                   | 264.5                    | 25.4        | 181.9                 | 187.8   | 148.3      |
| 2014 | 1,500.1                        | 3.05 | 82.8         | 158.6              | 28.3                          | 231.3                       | 115.8                   | 279.1                    | 26.3        | 186.6                 | 191.4   | 149.5      |
| 2015 | 1,536.9                        | 3.11 | 86.2         | 160.4              | 28.7                          | 235.9                       | 116.3                   | 293.3                    | 27.3        | 190.9                 | 195.6   | 150.8      |
| 2016 | 1,569.1                        | 3.14 | 88.0         | 162.5              | 28.9                          | 240.4                       | 117.8                   | 304.2                    | 28.3        | 194.1                 | 199.9   | 152.1      |
| 2017 | 1,591.0                        | 3.15 | 89.6         | 163.8              | 29.2                          | 242.9                       | 119.7                   | 308.6                    | 29.2        | 197.3                 | 203.9   | 153.2      |
| 2018 | 1,612.5                        | 3.14 | 93.3         | 165.0              | 29.3                          | 244.9                       | 122.5                   | 311.7                    | 29.8        | 200.4                 | 207.1   | 154.1      |
| 2019 | 1,633.2                        | 3.13 | 96.8         | 166.0              | 29.5                          | 246.6                       | 126.0                   | 314.6                    | 30.4        | 203.7                 | 209.7   | 154.9      |
| 2020 | 1,651.4                        | 3.10 | 99.1         | 166.7              | 29.6                          | 247.8                       | 129.0                   | 317.9                    | 30.9        | 207.0                 | 211.9   | 155.9      |
| 2021 | 1,666.6                        | 3.06 | 97.4         | 167.2              | 29.8                          | 248.6                       | 132.3                   | 323.2                    | 31.4        | 210.4                 | 213.9   | 156.3      |
| 2022 | 1,682.1                        | 3.02 | 95.8         | 167.8              | 29.9                          | 249.4                       | 136.5                   | 328.0                    | 31.7        | 213.8                 | 215.5   | 156.6      |
| 2023 | 1,698.8                        | 2.97 | 94.6         | 168.2              | 30.1                          | 250.3                       | 140.8                   | 333.7                    | 32.1        | 217.4                 | 217.1   | 157.1      |
| 2024 | 1,713.1                        | 2.92 | 93.2         | 168.6              | 30.2                          | 251.1                       | 142.8                   | 339.1                    | 32.5        | 220.4                 | 219.1   | 157.8      |
| 2025 | 1,725.5                        | 2.87 | 91.3         | 169.2              | 30.4                          | 251.9                       | 143.9                   | 344.2                    | 32.9        | 223.3                 | 221.1   | 158.3      |
| 2026 | 1,739.0                        | 2.82 | 90.2         | 169.8              | 30.5                          | 252.7                       | 145.7                   | 349.4                    | 33.3        | 226.1                 | 222.9   | 158.9      |
| 2027 | 1,752.4                        | 2.77 | 89.5         | 170.3              | 30.6                          | 253.6                       | 147.3                   | 354.3                    | 33.7        | 228.8                 | 224.6   | 159.4      |
| 2028 | 1,767.0                        | 2.72 | 89.8         | 170.8              | 30.7                          | 254.6                       | 148.8                   | 359.4                    | 34.1        | 231.6                 | 226.3   | 160.0      |
| 2029 | 1,782.9                        | 2.66 | 91.5         | 171.4              | 30.8                          | 255.5                       | 150.5                   | 364.1                    | 34.4        | 234.4                 | 228.0   | 160.6      |
| 2030 | 1,797.4                        | 2.61 | 92.5         | 171.8              | 30.9                          | 256.5                       | 151.6                   | 368.7                    | 34.8        | 237.3                 | 229.7   | 161.1      |
| 2031 | 1,811.4                        | 2.56 | 93.4         | 172.3              | 30.9                          | 257.6                       | 152.7                   | 373.0                    | 35.2        | 240.2                 | 231.3   | 161.7      |
| 2032 | 1,824.8                        | 2.50 | 94.6         | 172.7              | 31.0                          | 258.8                       | 153.8                   | 376.4                    | 35.6        | 243.1                 | 232.8   | 162.2      |
| 2033 | 1,837.1                        | 2.45 | 95.0         | 173.1              | 31.1                          | 259.9                       | 154.7                   | 379.6                    | 36.0        | 246.0                 | 234.4   | 162.8      |
| 2034 | 1,848.0                        | 2.39 | 94.3         | 173.4              | 31.1                          | 260.9                       | 155.6                   | 382.6                    | 36.4        | 248.9                 | 236.2   | 163.4      |
| 2035 | 1,858.8                        | 2.34 | 93.5         | 173.9              | 31.1                          | 261.9                       | 156.7                   | 385.2                    | 36.8        | 251.8                 | 238.1   | 164.0      |
| 2036 | 1,869.7                        | 2.28 | 92.7         | 174.3              | 31.2                          | 262.9                       | 157.9                   | 387.8                    | 37.2        | 254.7                 | 239.9   | 164.5      |
| 2037 | 1,880.7                        | 2.23 | 91.7         | 174.6              | 31.2                          | 263.7                       | 159.4                   | 390.5                    | 37.6        | 257.6                 | 241.8   | 165.1      |
| 2038 | 1,892.0                        | 2.18 | 91.0         | 175.0              | 31.2                          | 264.6                       | 160.8                   | 393.1                    | 38.0        | 260.5                 | 243.9   | 165.7      |
| 2039 | 1,903.1                        | 2.13 | 90.0         | 175.5              | 31.3                          | 265.4                       | 162.2                   | 395.8                    | 38.4        | 263.5                 | 245.9   | 166.3      |
| 2040 | 1,913.3                        | 2.08 | 89.0         | 175.8              | 31.3                          | 266.1                       | 163.0                   | 398.5                    | 38.8        | 266.4                 | 248.0   | 166.9      |





## County Economic and Demographic Indicators

### Projected Economic Growth (2014-2019)

|                                  |              |
|----------------------------------|--------------|
| Expected retail sales growth:    | 14.2%        |
| Expected job growth:             | 8.9%         |
| Fastest growing jobs sector:     | Construction |
| Expected personal income growth: | 18.1%        |

|  |      |
|--|------|
| Expected population growth:            | 4.7% |
| Net migration to account for:          | 1.9% |
| Expected growth in number of vehicles: | 5.9% |

### Demographics (2014)

|   |       |
|---|-------|
| Unemployment rate (April 2014):           | 5.0%  |
| County rank* in California (58 counties): | 4th   |
| Working age (16-64) population:           | 66.7% |

|  |           |
|--|-----------|
| Population with B.A. degree or higher: | 36.4%     |
| Median home selling price (2013):      | \$535,000 |
| Median household income:               | \$72,262  |

### Quality of Life

|   |                         |
|---|-------------------------|
| Violent crime rate (2012):                | 213 per 100,000 persons |
| County rank* in California (58 counties): | 7th                     |
| Average commute time to work (2014):      | 28.8 minutes            |

|  |      |
|--|------|
| High school drop out rate (2012):        | 9.2% |
| Households at/below poverty line (2014): | 8.7% |

\* The county ranked 1st corresponds to the lowest rate in California